

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer



MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi [signature]
Chief Financial Officer

DATE: March 19, 2004

SUBJECT: Fiscal Impact Statement: "Proposed Lease of the Old
Washington Convention Center Property to the Washington
Convention Center Authority Approval Resolution of 2003"

REFERENCE: Draft Resolution

Conclusion

Funds are sufficient in the proposed FY 2004 through FY 2007 budget and financial plan to enact the "Proposed Lease of the Old Washington Convention Center Property to the Washington Convention Center Authority Approval Resolution of 2003". Under the terms of the lease, the District could incur a future liability if it terminated the lease early.

Background

The proposed resolution would approve a lease for the transfer of site control of the Old Washington Convention Center Property¹ to the Washington Convention Center Authority (WCCA). The rent for the entire term of the lease would be \$12,000, payable on or before the demolition completion day. The WCCA would be required to raze the site, and construct a parking facility and public green space on the property. The District would retain the right to terminate the lease in order to turn the property over to a developer for permanent use. If the District prematurely terminates the lease, it would be required to reimburse the WCCA for site improvements if the WCCA has not been fully reimbursed for its improvements of the parcel via net operating profits from the parking facility. The lease caps the reimbursement amount to \$17.5 million.

¹ Lot 848 Square 374 and an adjoining parcel described as U.S. Reservation 174

The WCCA plans to take out a loan for the purpose of razing and demolishing the old convention center and the construction of the surface parking lot, and guaranteeing the loan with the land that the old convention center sits on. If the WCCA defaults on its loan, it is possible that the old convention center property could be seized and sold to satisfy the WCCA debt.

Financial Plan Impact

Funds are sufficient in the proposed FY 2004 through FY 2007 budget and financial plan to implement the "Proposed Lease of the Old Washington Convention Center Property to the Washington Convention Center Authority Approval Resolution of 2003".

Under the terms of the lease, the District could incur a future liability if it terminated the lease early. The total potential liability the District could incur is capped at \$17.5 million and largely covers the costs incurred by the WCCA for the demolition of the old convention center and the cost of constructing the surface parking lot. The net operating profits earned by WCCA during the term of the lease would reduce the District's potential liability. Early lease termination would require Council action. At that time, any incurred liability must be included in that year's budget and financial plan in order for it not to have a fiscal impact.

If the WCCA defaults on a loan that is secured by the District-owned old convention center land, the District would have to take over the loan payments in order to avoid the bank assuming control of the old convention center property. Should such an event occur, the District would have to include the amount of any incurred liability in that year's budget and financial plan.